

STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan

Order entered: 5/25/2011

ORDER RE: EVALUATION OF FORWARD CAPACITY MARKET SAVINGS CLAIMS

I. INTRODUCTION

On September 9, 2010, the Public Service Board ("Board") initiated a workshop process to develop the first statewide long-term Demand Resources Plan ("DRP"). This workshop process will lead to, among other items, a Board decision establishing activity budgets for the evaluation of the savings claims associated with the Vermont Energy Efficiency Utilities' ("EEUs") programs.

One component of the evaluation process is the Measurement and Verification ("M&V") activities associated with Vermont Energy Investment Corporation's ("VEIC")¹ participation in the Independent System Operator-New England ("ISO-NE") Forward Capacity Market ("FCM") on behalf of the State of Vermont. In this Order, we determine that the Vermont Department of Public Service ("Department") should continue to carry out the evaluation activities associated with M&V for the ISO-NE FCM as described below. The remaining issues related to the evaluation process and the associated budgets will be decided in a subsequent Order that comprehensively addresses the adoption of the DRP.

II. PROCEDURAL HISTORY

On February 3, 2011, VEIC filed a revised proposal for Non-Resource Acquisition activities and an associated budget. The proposal describes a budget initiative labeled "ISO-NE

1. VEIC serves as Vermont's state-wide EEU, known as Efficiency Vermont, under an Order of Appointment issued by the Board on 12/20/10, in Docket 7466.

FCM Metering and M&E" which includes all M&V activities required by VEIC's participation in the ISO-NE FCM. VEIC states: "Many of these activities are currently undertaken by the Department and their subcontractors. The proposed budget envisions shifting the management and cost of those activities from the Department to VEIC."

On March 3, 2011, the Department filed its proposed Evaluation Plan. The Evaluation Plan describes the Department's proposal to continue to perform the evaluation activities associated with VEIC's participation in the ISO-NE FCM. The Department indicated that it would continue to hold discussions with VEIC to attempt to reach consensus on the best approach for these evaluation activities.

On March 16, 2011, Board staff conducted a workshop to discuss the Department's Evaluation Plan. The Department and VEIC stated that they would continue to discuss the issue of which entity should perform the ISO-NE FCM evaluation activities.

On April 1, 2011, the Department filed a revised Evaluation Plan and reiterated its proposal to continue to conduct certain evaluation activities associated with VEIC's participation in the ISO-NE FCM. VEIC filed comments to support its counterproposal on April 3, 2011.

On April 17, 2011, VEIC filed reply comments to the Department's earlier filings. On April 22, 2011, the Department filed a response to VEIC's reply comments.

No other participant in this proceeding filed comments related to this issue.

III. DISCUSSION AND CONCLUSION

VEIC participates in the ISO-NE FCM on behalf of the State of Vermont. As a market participant, it is required to develop an M&V Plan to support its demand-reduction claims.² ISO-NE approves the M&V Plan in order to ensure compliance with ISO-NE requirements.

To date, VEIC and the Department have shared the responsibilities described in the M&V Plans approved by ISO-NE.³ The initial approved M&V Plans identified the Department as the entity that would conduct the required independent evaluation of efficiency savings while

2. Letter dated April 3, 2011, from Michael Wickenden, VEIC, to Susan M. Hudson, Clerk of the Board, at 2.

3. Letter dated April 1, 2011, from Walter (T.J.) Poor and Brian Cotterill, Department of Public Service, to Susan M. Hudson, Clerk of the Board, at 3.

subsequent M&V Plans do not explicitly identify the Department.⁴ In its Evaluation Plan, the Department maintains that it remains best suited to conduct and manage these evaluation activities.

VEIC proposes that M&V activities required by ISO-NE as a condition of participation in the FCM be shifted from the Department to VEIC. VEIC states that an FCM participant is not required to name a specific entity to undertake the third-party verification and that its most recent approved M&V plans "indicate only that an appropriate party will be used to perform this process audit."⁵ VEIC indicates that it "sought this flexibility as a way of achieving administrative efficiencies that it believes will lead to reduced administrative costs."⁶

The Department maintains that the VEIC proposal is not in the best interests of the State of Vermont for the following reasons: (1) ISO-NE requires independent, third-party measurement and verification; and (2) the current processes provide great value to ratepayers. The Department asserts that self-verification of project savings by the entity submitting the demand resources claim (VEIC) would not satisfy ISO-NE's intent for independent, third-party review.⁷ The Department contends that ratepayers benefit from the Department's current role in the M&V process for the following reasons: (a) the Department would maintain direct control in ensuring compliance with ISO-NE standards and the approved M&V Plan; (b) the information gathered and knowledge gained through involvement in the verification process will provide the Department with tools to promote energy efficiency as a viable resource-acquisition strategy; (c) the Department provides an independent evaluation of FCM claims that affords further assurance to the ratepayers that efficiency funds are effectively invested; (d) there is a potential for bias in having an implementer exclusively perform the review of its savings; (e) the Department performs a greater number of site visits than it otherwise would; and (f) continuation

4. Evaluation Plan of 4/1/11 at 14-15.

5. Letter dated April 3, 2011, from Michael Wickenden, VEIC, to Susan M. Hudson, Clerk of the Board, at 3.

6. *Id.* at 3.

7. Letter dated April 1, 2011, from Walter (T.J.) Poor and Brian Cotterill, Department of Public Service, to Susan M. Hudson, Clerk of the Board, at 4.

of the current process allows the savings claims for VEIC and the City of Burlington to be similarly treated.⁸

The Department asserts that it is appropriate for VEIC to continue to perform the "measurement functions" and for the Department to continue to conduct the "verification" of those initial measurements.⁹ The Department believes that "it can and should continue to play the role of an independent third-party for this verification process."¹⁰

Traditionally, the Department has played a major role in the general evaluation activities associated with VEIC's performance as the statewide EEU. In an Order issued on December 20, 2010, the Board approved a document entitled "Process and Administration of an Energy Efficiency Utility Order of Appointment" that recognizes this role. That document acknowledges that the EEU "and/or" the Department will conduct "metering and other savings verification functions for purposes of meeting requirements related to verifying FCM savings claims."¹¹ We do not see any benefit to removing the Department from the evaluation process for the State's participation in the FCM. In fact, the Department has demonstrated that it provides substantial benefits through its participation in the process and that continuation of the current process is in the best interest of ratepayers, and the State. Additionally, it would not be appropriate for VEIC, either on its own or through a subcontractor, to verify savings claims for its own programs.

The Department asserts that maintaining an active role in the FCM M&V process will continue to "enhance its knowledge of the 'on-the-ground' aspects of EEU operations."¹² We agree, and for the reasons described above, we conclude that the Department and VEIC should continue to share the evaluation responsibilities associated with VEIC's participation in the ISO-NE FCM.

8. Letter dated April 1, 2011, from Walter (T.J.) Poor and Brian Cotterill, Department of Public Service, to Susan M. Hudson, Clerk of the Board, at 5-7.

9. Letter dated April 22, 2011, from Walter (T.J.) Poor, Department of Public Service, to Susan M. Hudson, Clerk of the Board, at 2.

10. *Id.* at 2.

11. Docket 7466, Order of 12/20/10, Attachment: "Process and Administration of an Energy Efficiency Utility Order of Appointment" at 12.

12. *Id.* at 3.

So ORDERED.

Dated at Montpelier, Vermont, this 25th day of May, 2011.

<u>s/ James Volz</u>)	
)	
)	PUBLIC SERVICE
<u>s/ David C. Coen</u>)	
)	BOARD
)	
)	OF VERMONT
<u>s/ John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: May 25, 2011

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)